

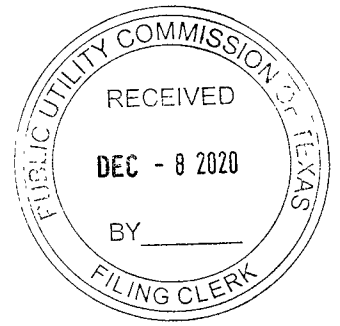


Control Number: 51415



Item Number: 97

Addendum StartPage: 0



OPEN MEETING COVER SHEET

DRAFT PRELIMINARY

MEETING DATE: December 17, 2020

DATE DELIVERED: December 8, 2020

AGENDA ITEM NO.: *30 (subject to change pending finalized agenda)

CAPTION: Docket No. 51415; SOAH Docket No. 473-21-0538 – Application of Southwestern Electric Power Company for Authority to Change Rates

DESCRIPTION: Draft Preliminary Order

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John Paul Urban
Executive Director



Greg Abbott
Governor

Public Utility Commission of Texas

TO: Chairman DeAnn T. Walker
Commissioner Arthur C. D'Andrea
Commissioner Shelly Botkin

All Parties of Record (*via electronic transmission*)

FROM: Lorenzo Z Garcia
Commission Advising

RE: *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 51415, SOAH Docket No. 473-21-0538, Draft Preliminary Order, December 17, 2020 Open Meeting, Item No. XX.

DATE: December 8, 2020

Please find enclosed the draft preliminary order filed by Commission Advising in the above-referenced docket. The Commission will consider this draft preliminary order at the December 17, 2020 open meeting. Parties shall not file responses or comments addressing this draft preliminary order.

Any modifications to the draft preliminary order that are proposed by one or more Commissioners will be filed simultaneously prior to the consideration of the matter at the December 17, 2020 open meeting.

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PUC DOCKET NO. 51415
SOAH DOCKET NO. 473-21-0538

APPLICATION OF SOUTHWESTERN	§	PUBLIC UTILITY COMMISSION
ELECTRIC POWER COMPANY FOR	§	
AUTHORITY TO CHANGE RATES	§	OF TEXAS

DRAFT PRELIMINARY ORDER

Southwestern Electric Power Company (SWEPCO) filed a statement of intent to change rates and obtain other approvals. This preliminary order identifies the issues that must be addressed and the issues that shall not be addressed in this proceeding.

I. Overview

On October 14, 2020, SWEPCO filed a statement of intent under Public Utility Regulatory Act (PURA)¹ § 36.102 to change its rates based on a test year ending on March 31, 2020, adjusted for known and measurable changes. SWEPCO seeks to increase its annual Texas retail base-rate revenue requirement to \$534,165,103—an increase of approximately \$105,026,238 or 30.31% over its current revenue requirement.² SWEPCO calculated this revenue requirement increase using an overall rate of return of 7.22%.³

SWEPCO also seeks to set both its current transmission cost recovery factor (TCRF) and distribution cost recovery factor (DCRF) to \$0, which would reduce SWEPCO's annual Texas retail revenues by \$14,826,502.⁴ This will result in a net increase of \$90,199,736, or 26.03%, to SWEPCO's annual Texas retail revenues, excluding fuel and rider revenues.⁵ According to SWEPCO, a residential customer using 1,000 kilowatt-hours of energy per month would see an increase of \$15.71 per month in their total bill—an approximately 15% increase.⁶

¹ Public Utility Regulatory Act, Tex. Utils. Code §§ 11.001–66.016 (PURA).

² Application of Southwestern Electric Power Company for Authority to Change Rates at 11 (Oct. 14, 2020) (Application).

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at 47; *id.*, Notice of Rate Change Request at 2.

A. Additional Proposals

1. Dolet Hills Power Station Ratemaking Treatment

In 2020, SWEPCO decided to retire the Dolet Hills Power Station by December 31, 2021. While this will save about \$180,000,000 in fuel costs,⁷ SWEPCO is seeking to depreciate the remaining book value of Dolet Hills through 2021, which would significantly impact the utility's rates. To mitigate this impact, SWEPCO proposes to offset the remaining undepreciated book value of the plant by the utility's unprotected excess accumulated deferred income taxes (ADIT) and a tax refund provision.⁸ SWEPCO further proposes that the remaining undepreciated value of the plant be depreciated over a four-year period.⁹

2. Self-insurance Reserve and Hurricane Laura Costs

SWEPCO requests Commission approval of a self-insurance plan to provide for occurrences resulting in storm-related transmission and distribution asset losses of at least \$500,000.¹⁰ The utility proposes a plan with a target reserve amount of \$3,560,000 and an annual accrual of \$1,689,700,¹¹ with \$799,700 of the annual accrual to provide for asset losses from storms and the remaining \$890,000 to achieve the target reserve amount over four years.¹² Additionally, the utility requests the Commission's authorization to charge the Texas jurisdictional Hurricane Laura restoration costs against the self-insurance reserve as a regulatory asset that will be reduced each month by the amount of the reserve accrued.¹³

3. Distribution Vegetation Management Program Expansion

SWEPCO states that the best long-term solution to its outage issue is to implement a vegetation-management schedule that would address all of SWEPCO's distribution circuits within a four-year period.¹⁴ The estimated cost of such a program is approximately \$38,350,000 annually.

⁷ Application at 12; *id*, Direct Testimony of Thomas Brice at 5–7 (Brice Direct).

⁸ Application at 12–13; *id*, Brice Direct at 7–8.

⁹ Application at 13; *id*, Brice Direct at 8.

¹⁰ Application at 2123; *id*, Direct Testimony of Gregory Wilson at 4 (Wilson Direct).

¹¹ Application at 2123; *id*, Wilson Direct at 4.

¹² Application at 2123; *id*, Wilson Direct at 4.

¹³ Application at 84; *id*, Brice Direct at 12.

¹⁴ Application at 851; *id*, Seidel Direct at 20.

However, SWEPCO is only requesting an annual expense of \$14,570,000 at this time,¹⁵ a \$5,000,000 increase over the \$9,570,000 in vegetation-management expenses incurred during the test year.¹⁶

4. Deferral of Certain Approved Transmission Charges

Currently, SWEPCO collects its SPP-related transmission charges for the use of other utility's facilities through its TCRF.¹⁷ SWEPCO states that its net test-year transmission charges do not entirely account for its anticipated SPP-related transmission charges. To address this issue, SWEPCO proposes that the Commission allow it to defer the portion of its ongoing SPP charges that qualify as approved transmission charges into a regulatory asset or liability until they can be addressed in a future TCRF or base-rate proceeding.¹⁸

5. Proposed Residential Service Plug-in Electric Vehicle Rider

SWEPCO requests approval of a new rate rider for home electric-vehicle charging for customers taking residential service who use plug-in electric vehicles.¹⁹

6. Proposed Time-of-Use Rate Pilot Projects

SWEPCO requests approval of a new optional time-of-use rate schedule for residential customers who can take advantage of a whole-house time-of-use rate structure.²⁰ SWEPCO also requests approval of a new optional time-of-use schedule for commercial loads of 100 kilowatts or greater.²¹ SWEPCO proposes to implement pilot projects for customers in areas with advanced meters.²²

7. Rate-case Expenses

SWEPCO requests recovery of rate-case expenses, including expenses paid to reimburse municipalities, that it incurs in this proceeding before the cut-off date agreed to by the parties to

¹⁵ Application at 850; *id.*, Seidel Direct at 18.

¹⁶ Application at 849; *id.*, Direct Testimony of Drew Seidel at 18 (Seidel Direct)

¹⁷ Application at 2203; *id.*, Direct Testimony of John Aaron at 29 (Aaron Direct).

¹⁸ Application at 2204; *id.*, Aaron Direct at 30.

¹⁹ Application at 60; *id.*, Smoak Direct at 8.

²⁰ Application at 61; *id.*, Smoak Direct at 9.

²¹ Application at 61; *id.*, Smoak Direct at 9.

²² Application at 62; *id.*, Smoak Direct at 10.

this proceeding, should the parties agree to such a date.²³ SWEPCO proposed to recover its projected rate-case expenses incurred in this proceeding after the cut-off date, and that those projected expenses be reviewed for reasonableness and trued up in its next base-rate case. SWEPCO also requests recovery of rate-case expenses that it incurred in Docket Nos. 49042, 46449, and 40443.²⁴

Additionally, SWEPCO requests recovery of any rate-case expenses associated with the appeals of Docket Nos. 46449 and 40443 that the Commission finds reasonable in this proceeding.²⁵ SWEPCO further requests that any rate-case expenses for Docket Nos. 46449 and 40443 incurred after the cut-off date be addressed in the utility's next rate case.²⁶ Finally, SWEPCO asks that all rate-case expenses granted by the Commission in this proceeding be recovered through its rate-case surcharge rider.²⁷

8. Other Proposals

SWEPCO requests that the Commission issue a declaratory order to confirm whether a battery installed as an alternative to a distribution upgrade, or installed in a new high-voltage switching station or substation as an alternative to a transmission upgrade, and not used to sell energy or ancillary services in the wholesale market, requires a CCN filing or other Commission pre-approval prior to installation.²⁸ SWEPCO also requests that the Commission set baselines calculated by the utility for future TCRF, DCRF, and generation cost recovery rider (GCRR) filings by the utility.²⁹ Additionally, SWEPCO proposes to implement a new voluntary renewable energy credit rider.³⁰ SWEPCO also proposes to make various revisions to its tariffs and

²³ Application at 17.

²⁴ *Id*; see also *Application of Southwestern Electric Power Company to Amend its Transmission Cost Recovery Factor*, Docket No. 49042 (Jul. 18, 2019); *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449 (Mar. 19, 2018); *Application of Southwestern Electric Power Company for Authority to Change Rates and Reconcile Fuel Costs*, Docket No. 40443 (Mar. 6, 2014).

²⁵ Application at 18.

²⁶ *Id*

²⁷ *Id.* at 19.

²⁸ *Id.* at 82; *id.*, Brice Direct at 10.

²⁹ Application at 2200–2208; *id.*, Aaron Direct at 26–34.

³⁰ Application at 2254; *id.*, Direct Testimony of Jennifer Jackson at 30.

schedules.³¹ Finally, SWEPCO requests a good-cause waiver of certain requirements in the Commission's rate-filing package.³²

II. Procedural History

Commission Staff requested referral of this proceeding to the State Office of Administrative Hearings (SOAH) in accordance with 16 Texas Administrative Code (TAC) § 22.243(b).³³ In the order of referral to SOAH filed on October 30, 2020, SWEPCO was directed, and Commission Staff and other interested persons were allowed, to file by November 12, 2020 a list of issues to be addressed in the docket and also identify any issues not to be addressed and any threshold legal or policy issues that should be addressed. SWEPCO, Commission Staff, and Cities Advocating Reasonable Deregulation timely filed lists of issues.

III. Issues to be Addressed

The Commission must provide to the administrative law judge (ALJ) a list of issues or areas to be addressed in any proceeding referred to SOAH.³⁴ After reviewing the pleadings submitted by the parties, the Commission identifies the following issues that must be addressed in this docket:

1. Did SWEPCO comply with the form and instructions for the Commission's rate-filing package?
2. Is SWEPCO's application administratively complete?
3. Did SWEPCO provide notice that was adequate and consistent with the requirements of PURA §§ 36.102 and 36.103?
4. What revenue requirement will give SWEPCO a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses?

³¹ Application at 19.

³² *Id.* at 21.

³³ Commission Staff's Request for Referral to the State Office of Administrative Hearings (Oct. 26, 2020)

³⁴ Tex. Gov't Code § 2003.049(e).

5. What is SWEPCO's reasonable and necessary cost of providing service to calculated in accordance with PURA and Commission rules?
6. What adjustments, if any, should be made to SWEPCO's proposed test-year and update-period data?

Invested Capital – Rate Base and Return

7. What is the appropriate debt-to-equity capital structure for SWEPCO?
8. What is the appropriate overall rate of return, return on equity, and cost of debt for SWEPCO? When answering this issue, please address how the factors specified in PURA § 36.052 and 16 TAC § 25.231(c)(1) should affect SWEPCO's rate or return.
9. Are any protections, such as financial protections, appropriate to protect the utility's financial integrity and ability to provide reliable service at just and reasonable rates?
10. What are the reasonable and necessary components of SWEPCO's rate base?
11. What is the original cost of SWEPCO's property used and useful in providing service to the public at the time the property was dedicated to public use? In answering this issue, please address the following items.
12. What is the amount, if any, of accumulated depreciation on that property?
13. Does SWEPCO's requested invested capital or revenue requirement include any amounts no longer used and useful in the provision of electric service?
14. What is SWEPCO's transmission cost of service determined in accordance with PURA and Commission rules?
15. What amount, if any, of SWEPCO's invested capital has not previously been subject to a prudence review by the Commission? If there are any such amounts, what are the amounts, for what facilities, property, or equipment were the investments made, and were the amounts prudently incurred? What amount, if any, of allowance for funds used during construction (AFUDC) is being transferred to invested capital in this proceeding? If AFUDC is being transferred, for what facilities and at what rate was the AFUDC accrued?

16. Did any of SWEPCO's invested capital arise from payment made to an affiliate? If so, for each item or class of items, does the payment conform to the requirements in PURA § 36.058?
17. Is SWEPCO seeking the inclusion of construction work in progress? If so,
 - a. what is the amount sought and for what facilities; and
 - b. has SWEPCO proven that the inclusion is necessary to the financial integrity of the electric utility, and that major projects under construction have been efficiently and prudently planned and managed; or
 - c. for transmission investment required by the Commission under PURA § 39.203(e), do conditions warrant the inclusion of construction work in progress for such transmission investment?
18. What is the reasonable and necessary cash working capital allowance for SWEPCO, calculated in accordance with Commission rules?
 - a. Does SWEPCO lead-lag study for its proposed allowance for cash working capital comply with Commission rules?
 - b. If not, should cash working capital be set at a negative one-eighth of operations and maintenance expenses?
19. Does SWEPCO currently have a self-insurance plan approved by the Commission? If so, please address the following issues.
 - a. What is the approved target amount for the reserve account, and is it appropriate to change that amount?
 - b. What is the amount, if any, of any shortage or surplus for the reserve account for the approved plan, and what actions, if any, should be taken to return the reserve account to the approved target amount?
20. What is the reasonable and necessary amount, if any, of SWEPCO's accumulated reserve for deferred federal income taxes, excess deferred federal income taxes, unamortized investment tax credits, contingency reserves, property insurance reserves, contributions in aid of construction, customer deposits, and other sources of cost-free capital? What other items, if any, should be deducted from SWEPCO's rate base?

21. What regulatory assets are appropriately included in SWEPCO's rate base? If included, what is the appropriate treatment of such regulatory assets?
22. What regulatory liabilities, if any, are appropriately included in SWEPCO's rate base? If included, what is the appropriate treatment of such regulatory liabilities?
23. What post-test-year adjustments for known and measurable rate-base changes to historical test-year data, if any, should be made? Do any such adjustments comply with the requirements of 16 TAC § 25.231(c)(2)(F)?
 - a. Does each addition equal at least 10% of SWEPCO's requested rate base, exclusive of post-test-year adjustments and construction work in progress?
 - b. Will each plant addition be in service before the rate year begins?
 - c. Have all the attendant impacts on all aspects of SWEPCO's operations (including but not limited to revenue, expenses, and invested capital) been identified, quantified, and matched?
 - d. For any post-test-year adjustments, what future filings, if any, should SWEPCO be required to make to verify that the plan was placed in service before the rate year begins?

Expenses

24. What are SWEPCO's reasonable and necessary operations and maintenance expenses?
25. What are SWEPCO's reasonable and necessary administrative and general expenses?
26. What are SWEPCO's reasonable and necessary rate-case expenses in accordance with PURA § 36.061(b)(2) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this proceeding or a prior rate-case proceeding? Is it appropriate to recover expenses associated with appeals of prior Commission orders before the appeals are completed?
27. What are the intervening cities' reasonable rate-case expenses, in accordance with PURA § 33.023(b) and 16 TAC § 25.245? Does this amount include any anticipated expenses to appeal this proceeding or a prior rate-case proceeding?
28. Is it appropriate for SWEPCO to recover rate-case expenses incurred in this proceeding after an agreed cut-off date in the manner proposed in its application?

29. What is SWEPCO's reasonable and necessary depreciation expense? For each class of property, what are the proper and adequate rates and methods for depreciation, including service lives and salvage value?
30. What is the reasonable and necessary amount for assessments and taxes, other than federal income taxes, for SWEPCO?
31. What is the reasonable and necessary amount for municipal franchise fees? What is the appropriate amount to be included in base rates?
32. What is the reasonable and necessary amount of SWEPCO's federal income tax expense?
33. Is SWEPCO's proposed treatment of federal income taxes consistent with PURA, the Commission substantive rules, and the Commission's amended order in Docket No. 47945?³⁵
 - a. Has SWEPCO appropriately addressed the impact of the Tax Cuts and Jobs Act of 2017 on its rates?
 - b. Has SWEPCO returned to customers any excess revenue collected due to the reduction in the corporate federal income tax rate from 35% to 21% from January 25, 2018 through the date final rates are set in this proceeding? If not, should SWEPCO return the excess revenue to customers and what interest rate should apply to the over-collected amount?
34. Will SWEPCO realize any tax savings derived from liberalized depreciation and amortization, investment tax credits, or similar methods? If so, are they apportioned equitably between consumers and the utility, and are the interests of present and future customers equitably balanced as required by PURA § 36.059?
35. What is the reasonable and necessary amount for SWEPCO's advertising expense, contributions, and donations?
36. What amount of SWEPCO's claimed restoration costs for Hurricane Laura are recoverable?
 - a. What portion of SWEPCO's claimed hurricane restoration costs meet the definition of *system restoration costs* set forth in PURA § 36.402?

³⁵ *Proceeding to Investigate and Address the Effects of Tax Cuts and Jobs Act of 2017 on the Rates of Texas Investor-Owned Utility Companies*, Project No. 47945, Amended Order Related to Changes in Federal Income Tax Rates (Feb. 15, 2018).

- b. Should any of SWEPCO's claimed restoration costs be offset for payment to SWEPCO of insurance proceeds, government grants, or any other source of funding that compensates the utility for hurricane restoration costs?
 - i. What insurance proceeds, governmental grants, or any other source of funding that compensates SWEPCO for its hurricane restoration costs have SWEPCO applied for, received, or anticipated receiving?
 - ii. Have all applicable insurance proceeds, governmental grants, or any other source of funding that compensates SWEPCO for its hurricane restoration costs been applied fairly so as not to inappropriately burden Texas ratepayers with any hurricane restoration costs?
- 37. What is the appropriate interest rate and calculation period for any carrying costs on SWEPCO's claimed restoration costs?
- 38. Are the hurricane restoration costs functionalized and allocated to customers in the same manner as the corresponding facilities and related expenses and functionalized and allocated in SWEPCO's current base rates in accordance with PURA § 36.403(g)?
- 39. Is it appropriate for the Commission to allow SWEPCO to recover its claimed restoration costs for Hurricane Laura from SWEPCO's proposed self-insurance plan, should the Commission approve that plan?
- 40. Is SWEPCO seeking approval of a self-insurance plan? If so, please address the following issues.
 - a. Is the coverage to be provided by the plan in the public interest?
 - b. What property and liability losses will SWEPCO charge to the reserve account? Are these losses that cannot be reasonably anticipated and included in operating and maintenance expenses?
 - c. What is the reasonable and necessary target amount for SWEPCO's self-insurance reserve account?
 - d. What is the reasonable and necessary amount of annual accruals to properly fund the self-insurance reserve account?

- e. Should SWEPCO's annual accruals for the reserve account meet or exceed the target amount, how will SWEPCO treat the excess balance of the reserve account?
 - f. How will SWEPCO allocate the cost of the annual accruals to its Texas retail rate classes?
 - g. Has SWEPCO filed a cost-benefit analysis performed by a qualified independent insurance consultant? If so, please address the following issues.
 - i. Does the cost-benefit analysis present a detailed analysis of the appropriate limits of self-insurance, an analysis of the appropriate annual accruals to build a reserve account for self-insurance, and the level at which further accruals should be decreased or terminated?
 - ii. Does the cost-benefit analysis demonstrate that, with consideration of all costs, self-insurance is a lower-cost alternative than commercial insurance?
 - iii. Does the cost-benefit analysis demonstrate that SWEPCO's ratepayers will receive the benefits of the self-insurance plan?
41. What are SWEPCO's reasonable and necessary expenses for pension and other post-retirement benefits, if any, calculated in accordance with PURA § 36.065 and 16 TAC § 25.231(b)(1)(H)? What is the reasonable baseline level of pension and other post-employment benefits for purposes of the expense tracker under PURA § 36.065?
- a. Has SWEPCO established under PURA § 36.065(b) any reserve accounts for pension and other post-employment benefits?
 - b. If so, has SWEPCO recorded the proper amounts in each reserve account?
 - c. Are the amounts recorded in each reserve account reasonable expenses in accordance with PURA § 36.065(d)(1)?
 - d. Does any reserve account have a surplus or shortage under PURA § 36.065(c)? If so, how should SWEPCO's rate base be modified to amortize, over a reasonable time, any surplus or shortage in each affected reserve account? PURA § 36.065(d)(3).
42. Has SWEPCO made any payments for expenses to affiliates? If so, for each item or class of items,
- a. are costs appropriately assigned to SWEPCO and its affiliates, and

- b. has SWEPCO met the standard of recovery of affiliate costs under PURA § 36.058 and Commission rules?
43. Does SWEPCO have any competitive affiliates, as defined by 16 TAC § 25.272(c)(2)? If so, has SWEPCO conducted any transactions with its competitive affiliates? If so, what are these transactions and have all transactions with any competitive affiliates been conducted at arm's length and has SWEPCO met all of the requirements of 16 TAC § 25.272 regarding such transactions? If not, what amount of expenses should be disallowed?
44. Are any of SWEPCO's expenditures unreasonable, unnecessary, or not in the public interest, including, but not limited to executive salaries, advertising expenses, legal expenses, penalties and interest on overdue taxes, criminal penalties or fines, and civil penalties or fines?
45. What post-test-year adjustments for known and measurable changes to historical test-year-data for expenses, if any, should be made? For any such adjustments, have all the attendant impacts on all aspects of SWEPCO's operations (including, but not limited to, revenue, expenses, and invested capital) been identified with reasonable certainty, quantified, and matched?
46. What are the appropriate amounts, if any, for transmission expenses and revenues under Federal Energy Regulatory Commission (FERC)-approved tariffs to be recovered?
47. What is the appropriate value of bundled renewable energy credits?
48. Should the Commission approve SWEPCO's proposed treatment of renewable energy credits sales?
49. Is it reasonable and necessary for SWEPCO to increase its expenditures for its distribution vegetation management program by \$5,000,000? If not, what is a reasonable increase?

Deferred Costs

50. Is SWEPCO seeking to include in rates any costs previously deferred by an order of the Commission? If so, in what docket did the Commission approve deferral of the costs? Is inclusion of such deferred costs in rates necessary to carry out a provision of PURA? What is the appropriate standard by which to make this determination, and is the proposed assignment and allocation of that recovery appropriate?

51. Is SWEPCO seeking to defer any costs, including any rate-case expenses, in this proceeding for recovery in a future proceeding? If so, what is the amount of such costs, and why were those costs incurred (or why will they be incurred)? Is deferral of those costs necessary to carry out a provision of PURA? If not, why is it necessary to defer these costs? What are the appropriate standards by which to make these determinations?

Rate Design and Tariffs

52. What are the just and reasonable rates calculated in accordance with PURA and Commission rules? Do the rates comport with the requirements in PURA § 36.003?

53. What are the appropriate rate classes for which rates should be determined? Is SWEPCO proposing any new rate classes? If so, why are these new rate classes needed?

54. What are the appropriate billing and usage date for SWEPCO's test year?

- a. What known and measurable changes, if any, should be used to adjust the test-year data?
- b. What changes, if any, are necessary to reflect abnormal weather conditions or other aberrant conditions?

55. What are appropriate allocations of SWEPCO's revenue requirement to jurisdictions, functions, and rate classes?

- a. What is the appropriate allocation of SWEPCO's expenses, invested capital, and revenue to Texas retail customers?
- b. Does SWEPCO have any customer-specific contracts for the provision of transmission or distribution service? If so, identify each customer, and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has SWEPCO appropriately allocated revenues and related costs associated with such contracts? Do all allocation factors properly reflect the types of costs allocated?
- c. What are the appropriate allocations of SWEPCO's transmission investment, expenses, and revenues, including transmission expenses and revenues under FERC-approved tariffs, among jurisdictions?
- d. Does SWEPCO have any FERC-approved tariffs? If so, identify each tariff and the FERC docket in which the tariff was approved. What are the appropriate allocations of

SWEPCO's transmission investment, expenses, and revenues, including transmission expenses and revenues under those tariffs? Has SWEPCO made appropriate allocations for import to and exports from the Electric Reliability Council of Texas (ERCOT)?

56. What are the appropriate rates for exports of power from ERCOT, calculated in accordance with 16 TAC § 25.192(e) and the ERCOT Nodal Protocols?
57. What is the appropriate amount of SWEPCO municipal franchise fees to include in base rates? Is it appropriate to recover a portion of the municipal franchise fees through direct charges to customers in the applicable municipal jurisdictions?
58. Does SWEPCO provide wholesale transmission service at distribution voltage to any customers? If so, has SWEPCO properly allocated costs to and designed rates for those customers as required under PURA § 35.004(c)?
59. Are all rate classes at unity? If not, what is the magnitude of the deviation, and what, if anything should be done to address the lack of unity?
60. Has SWEPCO proposed any rate riders? If so, should any of the proposed riders be adopted? If so, what are the appropriate costs to be recovered through the riders and what are the appropriate terms and conditions of the riders?
61. Does SWEPCO have any existing rate riders that should be modified or terminated? What regulatory assets or other items are currently being recovered through rate riders?
62. What tariff revisions, if any, are appropriate as a result of this proceeding?
63. Are SWEPCO's proposed changes to its rules and rate tariffs reasonable?

Baselines for Cost-recovery Factors

64. Should baseline amounts be determined in this proceeding for future SWEPCO TCRF, DCRF, GCRR, or interim transmission cost of service filings? If so, what are the investment and expense components and amounts?

Additional Issues

65. Has SWEPCO requested in this docket any exceptions to any requirements in any commission rules? If so, what are those rule requirements, and has SWEPCO demonstrated good cause for the exception? Should the Commission grant the exception?

66. Should the Commission approve SWEPCO's requests for waivers of requirements made in this docket, if any, in the Commission's rate filing package?

67. Has SWEPCO complied with the Commission's final order in Docket No. 46449?³⁶

Dolet Hills Power Station

68. Is SWEPCO's decision to retire the Dolet Hills Power Station no later than December 31, 2021 prudent?

69. What is the appropriate rate treatment for the Dolet Hills Power Station?

70. Is SWEPCO's proposal to offset the unrecovered balance of the Dolet Hills Power Station with the regulatory liability related to excess accumulated deferred income taxes in the public interest and consistent with PURA and Commission rules?

a. May a retired generating unit be included in a utility's revenue requirement consistent with PURA §§ 36.051 and 36.053(a)?

b. Has the Commission ever allowed a retired plant to be included in rate base? If so, under what circumstances?

71. What adjustments, if any, to SWEPCO's accumulated depreciation are necessary to reflect the retirement of the Dolet Hills Power Station?

72. What adjustments, if any, to SWEPCO's depreciation expense, including any adjustments to rates, service lives, and salvage value, are necessary to properly reflect the retirement of the Dolet Hills Power Station?

Proposed Deferral of SPP Transmission Costs

73. Are SWEPCO's anticipated SPP-related transmission charges a known and measurable change to its test-year cost of service?

74. Is a TCRF a more appropriate mechanism for recovering these costs?

75. Is it appropriate for a utility to accumulate an expected future increase in expenses through a regulatory asset?

³⁶ *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing (Mar 19, 2018).

Proposed Residential Service Plug-in Electric Vehicle Rider

76. What studies or analyses did SWEPCO conduct to develop the proposed EV rider?
77. What analysis, documentation, or support is provided to demonstrate that the rates given in the proposed EV rider are reasonable and necessary?
78. How were the proposed second meter charge and the credit for all off-peak use calculated?
79. What is the appropriate rate design for customers taking service under the proposed EV rider?
Does the rate recover all costs that result from the EV program?
80. How were the rates given in the proposed EV rider designed? Is the rate design of the rates given in the proposed EV rider appropriate under 16 TAC § 25.234?

Proposed Time-of-use Rate Pilot Projects

81. What studies or analyses did SWEPCO conduct to develop the proposed pilot project? For issues 81 through 86, please address SWEPCO's proposed residential time-of-use pilot project and light and power time-of-use pilot project separately.
82. What analysis, documentation, or support is provided to demonstrate that the rates under the proposed pilot project is reasonable and necessary?
83. In what areas of its Texas service area does SWEPCO intend to offer service under the pilot project?
84. How were the proposed charges under the pilot project calculated?
85. What is the appropriate rate design for customers taking service under the proposed pilot project?
86. How were the rates to be provided under the proposed pilot project designed? Is the rate design of the rates under the proposed pilot project appropriate under 16 TAC § 25.234?

This list of issues is not intended to be exhaustive. The parties and the ALJ are free to raise and address any issues relevant in this docket that they deem necessary, subject to any limitations imposed by the ALJ, or by the Commission in future orders issued in this docket. The Commission may identify and provide to the ALJ in the future any additional issues or areas that must be addressed, as permitted under Tex. Gov't Code § 2003.049(e).

IV. Issue Not to be Addressed

The Commission identifies the following issue that need not be addressed in this proceeding for the reasons stated.

1. SWEPCO's request for a declaratory order related to battery storage.

The Commission has previously stated that “the current regulatory structure is inadequate to address energy-storage devices” for transmission and distribution utilities.³⁷ The use of battery storage is currently being discussed by the Texas Legislature. Therefore, the Commission declines to address SWEPCO's request for a declaratory order related to battery storage in this proceeding.

V. Effect of Preliminary Order

The Commission's discussion and conclusions in this Order regarding the issue not to be addressed should be considered dispositive of those matters. Questions, if any, regarding the issue not to be addressed may be certified to the Commission for clarification if the SOAH ALJ determines that such clarification is necessary. As to all other issues, this Order is preliminary in nature and is entered without prejudice to any party expressing views contrary to this Order before the SOAH ALJ at hearing. The SOAH ALJ, upon his or her own motion or upon the motion of any party, may deviate from the non-dispositive rulings of this Order when circumstances dictate that it is reasonable to do so. Any ruling by the SOAH ALJ that deviates from this Order may be appealed to the Commission. The Commission will not address whether this Order should be modified except upon its own motion or the appeal of a SOAH ALJ's order. Furthermore, this Order is not subject to motions for rehearing or reconsideration.

³⁷ *Application of AEP Texas North Company for Regulatory Approvals Related to the Installation of Utility Scale Battery Facilities*, Docket No. 46368, Order at 3–4 (Feb. 15, 2018).

Signed at Austin, Texas the _____ day of December 2020.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER